AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type City Township	Village Other	Local Government Name VILLAGE OF SUNFIELD	County EATON
Audit Date MARCH 31, 2006	Opinion Date APRIL 18, 2006	Date Accountant Report Submitte APRIL 28, 2006	d to State

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

- 1. We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised.
- 2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

	 -	
Yes	No	1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
Yes	No	2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
X Yes	No	3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
Yes	No	4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
Yes	No	5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
Yes	No	6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
Yes	No	7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
Yes	No	8. The locaL unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
Yes	No	9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audit			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)		
Karl L. Dra	ake, CPA	
Street Address	City	State Zip
3775 Kimmel Road	Horton	MI 49246
Accountant Signature		
V2. 0 7 1	1.	

VILLAGE OF SUNFIELD

FINANCIAL STATEMENTS

MARCH 31, 2006

KARL L. DRAKE P.C.

CERTIFIED PUBLIC ACCOUNTANT

VILLAGE OF SUNFIELD

VILLAGE OF SUNFIELD

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Karl L. Drake, P.C. Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Village Council Village of Sunfield Sunfield, Michigan 48890

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Village of Sunfield, as of and for the year ended March 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Sunfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Sunfield as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2006, on our consideration of the Village of Sunfield's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Village Council Village of Sunfield

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 28 through 30 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sunfield's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Karl L. Drake, P.C.

Certified Public Accountant

Karl Z Denle

April 18, 2006

Management's Discussion and Analysis

This section of the Village of Sunfield's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended March 31, 2006. It is best read in conjunction with the Village's financial statements that follow this section.

Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Village of Sunfield financially and the two types of statements present different views of the Village. The government-wide statements reflect information about the activities of the entire Village, presenting an aggregate view and a longer-term view of the Village's overall financial status. The fund financial statements focus on individual components of Village government, reporting the Village's operations in more detail and demonstrating how services were financed in the short term.

Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Village as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Village's net assets – the difference between assets and liabilities- as one way to measure the Village's financial health or position. Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Village you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of the Village's streets.

The government-wide financial statements of the Village are divided into two categories:

- Governmental activities Most of the Village's basic services are included here, such as public works, parks and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities Operation and maintenance of the water system and sanitary sewer system is included here. The Village charges fees to customers to cover the costs of providing these services.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. The Village Council establishes funds as needed to help it control and manage money for particular purposes or to demonstrate that it is meeting legal responsibilities.

The Village currently has two types of funds:

Governmental funds - Most of the Village's basic services are included in governmental funds that focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the Village's programs. We describe the relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

<u>Proprietary funds</u> - Services for which the Village charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Village's enterprise funds, the Water Fund and Sewer Fund, are types of proprietary funds.

The Village as a Whole

The statement of net assets presents the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of March 31, 2006 and 2005, in thousands of dollars.

TABLE 1	Gover Acti	nmen vities			ness-Type ctivities			Total		
	2006		2005		2006 2005		2006		2005	
ASSETS										
Current and Other Assets Capital Assets	\$ 388.5 79.8	\$	384.9 81.7	\$	268.4 1,306.5	\$	240.8 1,389.3	\$	656.9 1,386.3	\$ 625.7 1,471.0
TOTAL ASSETS	 468.3		466.6		1,574.9		1,630.1	2	2,043.2	2,096.7
LIABILITIES										
Current Liabilities	5.1		5.1		56.6		56.6		61.7	61.7
Long-Term Liabilities	 15.7		20.3		866.2		917.8		881.9	938.1
TOTAL LIABILITIES	 20.8		25.4		922.8		974.4		943.6	999.8
NET ASSETS										
Invested in Capital Assets,										
Net of Related Debt	59.4		56.3		383.7		414.9		443.1	471.2
Restricted	200.1		204.0		260.4		240.0			
Unrestricted	 388.1		384.9		268.4		240.8		656.5	625.7
TOTAL NET ASSETS	\$ 447.5	\$	441.2	\$	652.1	\$	655.7	\$ 1	,099.6	\$ 1,096.9

Management's Discussion and Analysis

The Village as a Whole (Continued)

In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis.

The Village's combined net assets were \$1.1 million at March 31, 2006. Capital assets (net of related debt) totaling \$0.5 million compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. The \$656,590 in combined unrestricted net assets reflects the accumulated results of all past years' operations.

The following table shows the revenue and expense activity during the current fiscal year and past fiscal year, and the change in net assets (in thousands of dollars), as reported in the statement of activities.

TABLE 2	Governmental Activities		Busines Activ		Total		
	2006	2005	2006	2005	2006	2005	
REVENUE							
Program Revenue							
Charges for services	\$ 3.3	\$ 0.1	\$ 153.3	\$ 154.0	\$ 156.6	\$ 154.1	
General Revenue							
Property taxes	112.7	112.2			112.7	112.2	
Federal Grants							
State entitlements	103.8	106.8			103.8	106.8	
Interest earnings	6.8	3.8	7.5	3.8	14.3	7.6	
Other	44.6	54.1			44.6	54.1	
TOTAL REVENUE	271.2	277.0	160.8	157.8	432.0	434.8	
EXPENSES							
General Government	114.5	116.9			114.5	116.9	
Public Safety	19.6	19.2			19.6	19.2	
Public Works	106.9	105.4			106.9	105.4	
Recreation	15.8	19.2			15.8	19.2	
Interest On Long Term Debt	1.1				1.1		
Depreciation (Unallocated)	7.0	7.0			7.0	7.0	
Proprietary Fund Expenses			164.4	172.3	164.4	172.3	
TOTAL EXPENSES	264.9	267.7	164.4	172.3	429.3	440.0	
CHANGE IN NET ASSETS	\$ 6.3	\$ 9.3	\$ -3.6	\$ -14.5	\$ 2.7	\$ -5.2	

Governmental Activities

The governmental activities experienced an increase in net assets of \$6,000. The primary reason was the controlling of expenditures.

Business-Type Activities

The Village's business-type activity consists of the Water Fund and the Sewer Fund. These funds experienced a decrease in net assets of \$3,000. The primary reason was depreciation expense on prior year fixed asset purchases.

The Village's Funds

Our analysis of the Village's major funds follows the government-wide financial statements. As noted earlier, the Village creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Village's major governmental funds are the General Fund, the Major Streets Fund, and the Local Streets Fund.

The General Fund pays for most of the Village's governmental services and supports capital improvements in the street funds. The General Fund is supported mainly by property taxes and state shared revenue, while the street funds are financed by the state gas and weight tax. As we completed the year, the governmental funds reported a combined fund balance of \$388,000, which is an increase of \$3,000 from the previous year.

General Fund Budgetary Highlights

Over the course of the year, the Village generally amends the budget in response to changing events. In the year ended March 31, 2006, no budget amendments were made.

Economic Factors and Next Year's Budgets and Rates

In preparing the 2006 budget, the Village expects similar activity levels to 2005. State shared revenue has been consistently declining in recent years, and this trend is expected to continue. Other revenue is expected to be consistent to 2005 totals.

Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of this fiscal year, the Village managed capital assets valued at over \$1.4 million including property, buildings, streets, drains, equipment, and water and sewer lines.

		f Accu		Assets ed Depr thousar		n							
	Gove	Governmental Activities Business-Type Activities									Totals		
	20	06	20	005	2	006	2	005	20	2006		2005	
Non-Depreciable Assets Land	\$		\$		\$	47	\$	47	\$	47	\$	47	
Depreciable Assets													
Vehicles		4		5						4		5	
Equipment		52		52						52		52	
Infrastructure		23		25	1	,260	1	,342	1	,283	1	1,367	
Total	\$	79	\$	82	\$ 1	,307	\$ 1	,389	\$ 1	,386	\$ 1	1,471	

At year-end, the Village had \$943,329 in outstanding long-term debt.

Economic Factors and Next Year's Budgets and Rates

In preparing the 2007 budget, the Village expects similar activity levels to 2006. State shared revenues have been consistently declining in recent years, and this trend is expected to continue. Other revenues are expected to be consistent to 2006 totals.

Contacting the Village's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Treasurer, P.O. Box 66, Sunfield, MI 48890.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

STATEMENT OF NET ASSETS

March 31, 2006

	Governmental Activities	Business Type Activities	Total	
ASSETS				
Current Assets				
Cash and Investments Due From Other Governmental Units Accounts Receivable Prepaid Expenditures Inventory	\$ 380,138 8,359 	\$ 268,420 	\$ 648,558 8,359 	
Total Current Assets	388,497	268,420	656,917	
Non-Current Assets				
Capital Assets Less: Accumulated Depreciation	153,399 -73,549	2,246,393 - <i>939,880</i>	2,399,792 -1,013,429	
Total Non-Current Assets	79,850	1,306,513	1,386,363	
TOTAL ASSETS	\$ 468,347	\$ 1,574,933	\$ 2,043,280	
LIABILITIES AND NET ASSETS LIABILITIES Current Liabilities Accounts Payable Accrued Interest	\$ 327	\$ 	\$ 327	
Notes and Bonds Payable, Due within One Year	4,771	56,625	61,396	
Total Current Liabilities	5,098	56,625	61,723	
Non-Current Liabilities Deferred Revenue Notes and Bonds Payable Compensated Absences	15,726 	866,207 	881,933 	
Total Non-Current Liabilities	15,726	866,207	881,933	
TOTAL LIABILITIES	20,824	922,832	943,656	
NET ASSETS Invested in Capital Assets, Net of Related Debt Restricted for Debt Service Unrestricted	59,353 388,170	383,681 268,420	443,034 656,590	
TOTAL NET ASSETS	447,523	652,101	1,099,624	
TOTAL LIABILITIES AND NET ASSETS	\$ 468,347	\$ 1,574,933	\$ 2,043,280	

STATEMENT OF ACTIVITIES

		Program Revenues Charges		Net (Ex Revenue and Net A		
	_	For	Operating	Governmental	Type	
	Expenses	Services	Grants	Activities	Activities	<u>Total</u>
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government Public Safety	\$ 114,456 19,637	\$	\$	\$ -114,456 -19,637	\$	\$ -114,456 -19,637
Public Works	106,881	1,807		-105,074		-105,074
Recreational and Cultural	15,853	1,540		-14,313		-14,313
Interest on Long-Term Debt	1,126			-1,126		-1,126
Depreciation (Unallocated)	6,975			-6,975		-6,975
Total Governmental Activities	264,928	3,347		-261,581		-261,581
Business-Type Activities	164,385	153,320			-11,065	-11,065
Total Activities	\$ 429,313	\$ 156,667	\$	\$ -261,581	\$ -11,065	\$ -272,646
General Revenue						
Taxes Property Taxes, Levied for Ge Property Taxes, Levied for De	-			\$ 112,701 	\$ 	\$ 112,701
Federal Grants						
State of Michigan Aid, Unrestri	icted			103,829		103,829
Interest Earnings				6,753	7,456	14,209
Transfer In < Out>						
Other				44,658		44,658
Total General Revenue				267,941	7,456	275,397
CHANGE IN NET ASSETS				6,360	-3,609	2,751
NET ASSETS - BEGINNING OF	YEAR			441,163	655,710	1,096,873
NET ASSETS - END OF YEAR				\$ 447,523	\$ 652,101	\$ 1,099,624

Fund Financial Statements

BALANCE SHEET - GOVERNMENTAL FUNDS

MARCH 31, 2006

ASSETS	General	Major Street	Local Street	Other Non-Major	Total Governmental Funds
Cash and Investments Accounts Receivable Due from Other Governmental Units Due from Other Funds Prepaid Expenditures Inventory	\$ 120,971 8,359 	\$ 166,626 	\$ 7,433 	\$ 85,108 	\$ 380,138 8,359
TOTAL ASSETS	\$ 129,330	\$ 166,626	\$ 7,433	\$ 85,108	\$ 388,497
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable Due to Other Funds Deferred Revenue	\$ 	\$ 	\$ 	\$ 	\$
TOTAL LIABILITIES					
FUND BALANCES					
Reserved for Capital Projects Reserved for Debt Service Unreserved, Designated Unreserved and Undesignated	129,330	 166,626	 7,433	 85,108	 388,497
TOTAL FUND BALANCES	129,330	166,626	7,433	85,108	388,497
TOTAL LIABILITIES AND FUND BALANCES	\$ 129,330	\$ 166,626	\$ 7,433	\$ 85,108	\$ 388,497
TOTAL GOVERNMENTAL FUND BALANCES					\$ 388,497
Amounts reported for governmental activities in the sta	tement of net a	ssets are diffe	rent because:		
Capital assets used in governmental activities are no	ot financial reso	ources, and are	not reported in	the funds:	
Cost of the Capital Assets Accumulated Depreciation					153,399 -73,549
Long-term Liabilities are not due and payable in the	current period	and are not re	eported in the fu	ınd:	79,850
Bonds and Loans Payable Compensated Absences					-20,497
Accrued interest is not included as a liability in gove	ernmental fund	S			-327
NET ASSETS OF GOVERNMENTAL ACTIVITIES					\$ 447,523

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

REVENUE	General	Major Street	Local Street	Other Non-Major	Totals
Property Taxes	\$ 112,701	\$	\$	\$	\$ 112,701
Federal Grants					
State Grants	58,236	33,620	11,973		103,829
Charges for Services	3,347				3,347
Interest	801	3,616	231	2,105	6,753
Other	13,023			31,635	44,658
TOTAL REVENUE	188,108	37,236	12,204	33,740	271,288
EXPENDITURES					
General Government	114,456				114,456
Public Safety	19,637				19,637
Public Works	28,716	37,319	26,842	14,004	106,881
Recreational and Cultural	15,853				15,853
Debt Service				5,751	5,751
Capital Outlay	3,158			2,000	5,158
TOTAL EXPENDITURES	181,820	37,319	26,842	21,755	267,736
EXCESS OF REVENUE OVER < <i>UNDER</i> > EXPENDITURES	6,288	-83	-14,638	11,985	3,552
OTHER FINANCING SOURCES < USES>					
Bond Proceeds					
Operating Transfers In					
Operating Transfers Out					
TOTAL OTHER FINANCING SOURCES < USES>					
NET CHANGE IN FUND BALANCES	6,288	-83	-14,638	11,985	3,552
FUND BALANCES - BEGINNING OF YEAR	123,042	166,709	22,071	73,123	384,945
FUND BALANCES - END OF YEAR	\$ 129,330	\$ 166,626	\$ 7,433	\$ 85,108	\$ 388,497

Fund Financial Statements

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$	3,552
Amounts reported for governmental activities in the statement of activities are different because:			
- Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.			
Depreciation Expense	-6,975		
Capital Outlay	5,158		
		-	1,817
- Governmental funds report bond proceeds as revenue. In the statement of activities these costs are not reported. They are included as liabilities in the			
statement of net assets.			
- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.			72
- Repayments of note and bond principal are an expenditure in the governmental fund, but not in the statement of activities (where it reduces long-term debt).			4,553
- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds.	_		
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	_	\$	6,360

STATEMENT OF NET ASSETS

MARCH 31, 2006

ASSETS	
Current Assets	
Cash and Cash Equivalents Accounts Receivable Prepaid Expenses	\$ 268,420
Total Current Assets	268,420
Non-Current Assets	
Capital Assets	1,306,513
TOTAL ASSETS	\$ 1,574,933
LIABILITIES	
Current Liabilities	
Accounts Payable Due to Other Funds Current Portion of Bonds Payable	\$ 56,625
Total Current Liabilities	56,625
Long-Term Liabilities	
Deferred Revenue Bonds Payable - Net of Current Portion	 866,207
Total Long-Term Liabilities	866,207
TOTAL LIABILITIES	922,832
NET ASSETS	
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	383,681
Unrestricted	<u>268,420</u>
TOTAL NET ASSETS	\$ 652,101

Proprietary Funds

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED MARCH 31, 2006

OPERATING REVENUE	
Charges for Services	\$ 153,320
OPERATING EXPENSES	
Wages and Benefits	18,678
Office and Postage	374
Operating Supplies	6,774
Property Tax	3,740
Equipment Usage	11,243
Repairs and Maintenance	2,193
Utilities	4,624
Other	1,968
Depreciation	82,787
Testing	2,056
TOTAL OPERATING EXPENSES	134,437
OPERATING INCOME	18,883
NON-OPERATING REVENUE < EXPENSES>	
Transfer In < <i>Out</i> >	
Interest Revenue	7,456
Interest and Fees Expense	-29,948
TOTAL NON-OPERATING REVENUE < EXPENSES>	-22,492
CHANGE IN NET ASSETS	-3,609
NET ASSETS - BEGINNING	655,710
NET ASSETS - ENDING	\$ 652,101

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2006

CASH FLOW FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 153,320
Cash Payments for Goods and Services	-32,972
Cash Payments to Employees	<u>-18,678</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	101,670
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer In < <i>Out></i> Increase < <i>Decrease></i> in Due to Other Funds	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments Interest Paid	-51,625 -29,948
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-81,573
CASH FLOW FROM INVESTING ACTIVITIES	
Receipts of Interest and Dividends Sale of Assets	7,456
Purchase of Assets	
NET CASH PROVIDED BY INVESTING ACTIVITIES	7,456
NET INCREASE IN CASH	27,553
CASH - BEGINNING OF YEAR	240,867
CASH - END OF YEAR	\$ 268,420
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income A division partial of Properties Income to Not Cook Provided by Operating Activities	\$ 18,883
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities Depreciation Expense	82,787
Decrease < <i>Increase</i> > in Accounts Receivable	
Decrease < Increase > in Prepaid Expenses	
Increase < Decrease > in Accounts Payable	
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 101,670

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Village of Sunfield is a general law village located in Eaton County, Michigan. The Village operates under an elected council consisting of nine members and provides various services to its approximately 600 residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

- 1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
- 2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

GOVERNMENTAL FUNDS

<u>General Fund</u> - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

<u>Special Revenue Funds</u> - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the Village are the Major Streets Fund, Local Streets Fund, and Equipment Fund.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTES TO FINANCIAL STATEMENTS

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering foods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1, of the subsequent year. Taxes are due and payable as of September 15. The property tax revenue in the accompanying financial statements was recognized as that levied during the year.

All unpaid taxes become delinquent after September 15, at which time the uncollected real taxes are returned to Eaton County for collection and to be added to the delinquent tax rolls. The County of Eaton purchases delinquent real property taxes of the Village of Sunfield. The County sells tax notes, the proceeds of which are used to pay the Village for the taxes.

The Village is authorized to assess 15 mills for general operations. The millage rate levied for 2005 was 10.1409 mills for operations. Total taxable value of real and personal property in the Village was \$10,375,200.

The Village is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS

The Village considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Village does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions 15-50 years
Vehicles 5-10 years
Other equipment 5-20 years

J. RISK MANAGEMENT

The Village is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

-20- Karl L. Drake, P.C

NOTES TO FINANCIAL STATEMENTS

K. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

L. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

M. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Village, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.

- 2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
- 3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- 4. In United States government or Federal agency obligation repurchase agreements.
- 5. In bankers' acceptances of United States banks.
- 6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village is in compliance with State law regarding their cash deposits.

The Village maintains all of its cash deposits at three banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

Deposits	Book Value	Carrying Amounts
Insured (FDIC) Uninsured & Uncollateralized	\$ 300,000 348,558	\$ 300,000 416,612
Total Deposits	\$ 648,558	\$ 716,612

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at March 31, 2006.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Village's Governmental activities was as follows:

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
Assets not being depreciated: Land	\$	\$	\$	\$
Capital assets being depreciated:				
Vehicles	6,500			6,500
Equipment	74,241	5,158		79,399
Infrastructure	67,500			67,500
Subtotal	148,241	5,158		153,399
Accumulated depreciation:				
Vehicles	1,422	812		2,234
Equipment	22,672	4,473		27,145
Infrastructure	42,480	1,690		44,170
Subtotal	66,574	6,975		73,549
Net capital assets being depreciated	81,667	-1,817		79,850
Net capital assets	\$ 81,667	\$ -1,817	\$	\$ 79,850

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

Capital asset activity of the Village's business-type activities was as follows:

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
Assets not being depreciated: Land	\$ 47,000	\$	\$	\$ 47,000
Capital assets being depreciated: System Equipment	2,199,392	 		2,199,392
Subtotal	2,199,392			2,199,392
Accumulated depreciation: System Equipment	857,094	82,786 		939,880
Subtotal	857,094	82,786		939,880
Net capital assets being depreciated	1,342,298	-82,786		1,259,512
Net capital assets	\$ 1,389,298	\$ -82,786	\$	\$ 1,306,512

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

At March 31, 2006, there were no interfund payables or receivables.

NOTE 6 - LONG-TERM DEBT

WATERFUND

On June 28, 2001, the Village sold \$846,707 of bonds for construction of a water tower, and to upgrade its existing water distribution system. This was done through the Michigan Municipal Bond Authority. Interest accrues at 2.5%, and interest payments are due twice each year, on April 1 and October 1, until the bonds are fully repaid. Bond principal payments are due annually on April 1. Total amounts due are as follows:

Year Ended March 31,	April 1, Principal	April 1 Interest	October 1 Interest	Total Due
2007	\$ 40,000	\$ 8,834	\$ 8,834	\$ 57,668
2008	40,000	8,334	8,334	56,668
2009	40,000	7,834	7,834	55,668
2010	40,000	7,334	7,334	54,668
2011	40,000	6,834	6,834	53,668
2012	45,000	6,334	6,334	57,668
2013	45,000	5,771	5,771	56,542
2014	45,000	5,209	5,209	55,418
2015	45,000	4,646	4,646	54,292
2016	45,000	4,084	4,084	53,168
2017	50,000	3,521	3,521	57,042
2018	50,000	2,896	2,896	55,792
2019	50,000	2,271	2,271	54,542
2020	55,000	1,646	1,646	58,292
2021	55,000	959	959	56,918
2022	21,707	271	271	22,249
	\$ 706,707	\$ 76,778	\$ 76,778	\$ 860,263

SEWER FUND

On November 24, 2004, the Village financed sewer system improvements through the Eaton County Drain Commission. The total financing was \$249,375. The agreement calls for principal payments annually of \$16,625, plus interest at 4.9% for a period of 15 years.

NOTES TO FINANCIAL STATEMENTS

SEWER FUND (CONTINUED)

Total amounts due are as follows:

Year ended March 31	Principal	Interest	Total Due
2007	\$ 16,625	\$ 10,590	\$ 27,215
2008	16,625	9,776	26,401
2009	16,625	8,961	25,586
2010	16,625	8,146	24,771
2011	16,625	7,332	23,957
2012	16,625	6,517	23,142
2013	16,625	5,702	22,327
2014	16,625	4,888	21,513
2015	16,625	4,073	20,698
2016	16,625	3,259	19,884
2017	16,625	2,444	19,069
2018	16,625	1,629	18,254
2019	16,625	815	17,440
	\$ 216,125	\$ 74,132	\$ 290,257

GENERAL LONG-TERM DEBT

On December 2, 2004, the Village purchased a John Deere tractor for \$42,241.30. An initial payment of \$17,191.17 was made, and the balance of \$25,050.13 was financed through John Deere Credit. Annual payments of \$5,751.44 are made, which include interest at 4.784%. Total amounts due are as follows:

Year ended March 31	Principal	Interest	Total Due	
2007 2008	\$ 4,771 4,999	\$ 980 752	\$ 5,751 5,751	
2009	5,238	513	5,751	
2010	\$ 20.497	\$ 2.507	5,751 \$ 23.004	

NOTE 7- FUND DEFICITS

At March 31, 2006, there were no fund deficits.

NOTE 8 - ACCUMULATED PERSONAL AND VACATION PAY

Village employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned. The amount accrued at the end of the year was immaterial and not recorded.

NOTE 9 - RETIREMENT PLAN

The Village does not participate in any retirement plan.

NOTE 10 - BUDGETARY ACCOUNTING

During the year ended March 31, 2006, the Village incurred expenditures that were in excess of the amounts appropriated in the following:

	Budget	Actual	Excess
GENERAL FUND			
General Government Recreation and Cultural	\$ 109,425 15,342	\$ 114,456 15,853	\$ 5,031 511
MAJOR STREETS Public Works	27,500	37,319	9,819
LOCAL STREETS Public Works	11,250	26,842	15,592
EQUIPMENT FUND Public Works	12,040	14,004	1,964

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Village maintains two Enterprise Funds providing water and sewer services. Segment information for the year ended March 31, 2006, is as follows:

	Water	Sewer	Total	
Operating Revenues	\$ 91,637	\$ 61,683	\$ 153,320	
Operating Expenses Before Depreciation	27,890	23,760	51,650	
Depreciation	36,970	45,817	82,787	
Operating Income < <i>Loss</i> >	26,777	-7,894	18,883	
Net Earnings < <i>Loss</i> >	12,267	-15,876	-3,609	
Total Assets	881,701	693,232	1,574,933	
Long-Term DebtPayable From Operating Revenue	706,707	216,125	922,832	
Total Net Assets	174,994	477,107	652,101	

VILLAGE OF SUNFIELD

REQUIRED SUPPLEMENTAL INFORMATION

General Fund

BUDGETARY COMPARISON SCHEDULE

	Budgeted	l Amounts	Actual	Variance	
	Original	Final	(Budgetary Basis)		
REVENUE					
Property Taxes	\$ 116,700	\$ 116,700	\$ 112,701	\$ -3,999	
Federal Grants					
State Grants	57,000	57,000	58,236	1,236	
Charges for Services	1,300	1,300	3,347	2,047	
Interest	1,000	1,000	801	-199	
Other	3,600	3,600	13,023	9,423	
Transfers In					
TOTAL REVENUE	179,600	179,600	188,108	8,508	
EXPENDITURES					
General Government	109,425	109,425	114,456	-5,031	
Public Safety	20,200	20,200	19,637	563	
Public Works	30,000	30,000	28,716	1,284	
Recreation and Cultural	15,342	15,342	15,853	-511	
Debt Service					
Capital Outlay	3,158	3,158	3,158		
Other Uses - Operating Transfers Out					
TOTAL EXPENDITURES	178,125	178,125	181,820	-3,695	
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES	1,475	1,475	6,288	4,813	
BUDGETARY FUND BALANCE - APRIL 1, 2005	123,042	123,042	123,042		
BUDGETARY FUND BALANCE – MARCH 31, 2006	\$ 124,517	\$ 124,517	\$ 129,330	\$ 4,813	

Major Streets

BUDGETARY COMPARISON SCHEDULE

	Budgetee	d Amounts	Actual	Variance	
	Original Final		(Budgetary Basis)		
REVENUE					
Property Taxes	\$	\$	\$	\$	
Federal Grants					
State Grants	34,000	34,000	33,620	-380	
Charges for Services	2.500	2.500		1 116	
Interest	2,500	2,500	3,616	1,116	
Other					
Transfers In					
TOTAL REVENUE	36,500	36,500	37,236	736	
EXPENDITURES					
General Government					
Public Safety					
Public Works	27,500	27,500	37,319	-9,819	
Recreation and Culture					
Debt Service					
Capital Outlay					
Other Uses - Operating Transfers Out					
TOTAL EXPENDITURES	27,500	27,500	37,319	-9,819	
EXCESS OF REVENUE OVER < <i>UNDER</i> > EXPENDITURES AND OTHER USES	9,000	9,000	-83	-9,083	
BUDGETARY FUND BALANCE - APRILL 1, 2005	166,709	166,709	166,709		
BUDGETARY FUND BALANCE - MARCH 31, 2006	\$ 175,709	\$ 175,709	\$ 166,626	\$ -9,083	

Local Streets

BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts				Actual		Variance			
	Original		Fin	ıal	(Budgetary Basis)		asis)			
REVENUE										
Property Taxes	\$		\$		\$		-	\$		
Federal Grants	12.000		12 000		11.072					
State Grants Charges for Services	12,000		12	,000	11,973)	-27		
Interest		150		150	231			81		
Other										
Transfers In										
TOTAL REVENUE	12,150 12,150		12,204		54_					
EXPENDITURES										
General Government							-			
Public Safety							-			
Public Works	11,250		11,250 26,842		2	-15,592				
Recreation and Culture Debt Service					-					
Capital Outlay										
Other Uses - Operating Transfers Out										
TOTAL EXPENDITURES	11,250 11,250		26,842		-15,592					
EXCESS OF REVENUE OVER < <i>UNDER</i> > EXPENDITURES AND OTHER USES		900		900		-14,638	3	-15	,538	
BUDGETARY FUND BALANCE - APRIL 1, 2005	22,	071	22	,071		22,071				
BUDGETARY FUND BALANCE - MARCH 31, 2006	\$ 22,	971	\$ 22	,971	\$	7,433	3	\$ -15	,538	

VILLAGE OF SUNFIELD

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

VILLAGE OF SUNFIELD

General Fund

BALANCE SHEET

MARCH 31, 2006

ASSETS

 Cash
 \$ 120,971

 Taxes Receivable
 8,359

TOTAL ASSETS \$ 129,330

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable \$ --Fund Balance \$ 129,330

TOTAL LIABILITIES AND FUND BALANCE \$ 129,330

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

	Budget	Actual	Variance Favorable < <i>Unfavorable</i> >
REVENUE			
Property Taxes State Shared Revenue Rentals	\$ 116,700 57,000 1,000	\$ 112,701 58,236 745	\$ -3,999 1,236 -255
Interest	1,000	801	-199
Cable Company	2,600	2,467	-133
Sidewalks Miscellaneous	1,100	1,807 9,811	707 9,811
Park Revenue	200	1,540	1,340
TOTAL REVENUE	179,600	188,108	8,508
EXPENDITURES			
Council Salaries	4,200	3,050	1,150
Council Training	1,000		1,000
Elected Officials	14,000	17,464	-3,464
Office Supplies	1,000	1,275	-275
Election Supplies	500		500
Professional Fees	10,000	13,163	-3,163
Telephone	1,200	1,246	-46
Printing and Publishing	2,000	1,315	685
Insurance	33,000	30,789	2,211
Postal Supplies	400	371	29
Salaries and Wages	10,325	11,318	-993
Payroll Taxes	6,000	8,500	-2,500
Benefits	3,500	3,500	
Donations	600	1,200	-600
Library Appropriation	1,500	1,500	
Community Rooms	10,000	3,267	6,733
Food Program Service	600		600
Village Hall	5,000	8,988	-3,988
Parks	17,000	17,511	-511
Dues and Memberships	650	586	64
Repairs and Maintenance	5,000		5,000
Other		7,498	-7,498
Mileage	250	825	-575
Fire Protection	20,200	19,637	563
Property Taxes	200	101	99
Equipment Rental	4,000	1,512	2,488
Street Lights	11,000	11,118	-118
Sidewalks	15,000	16,086	-1,086
TOTAL EXPENDITURES	178,125	181,820	-3,695
EXCESS OF REVENUE OVER EXPENDITURES	1,475	6,288	4,813
FUND BALANCE - April 1, 2005	123,042	123,042	
FUND BALANCE - March 31, 2006	\$ 124,517	\$ 129,330	\$ 4,813

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SPECIAL REVENUE FUNDS

Special Revenue Funds

COMBINING BALANCE SHEET

MARCH 31, 2006

	ocal reets	Major Streets	Equipment	Total
ASSETS				
Cash Due from State	\$ 7,433	\$ 166,626 	\$ 85,108 	\$ 259,167
TOTAL ASSETS	\$ 7,433	\$ 166,626	\$ 85,108	\$ 259,167
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 	\$	\$	\$
Fund Balance	 7,433	166,626	85,108	259,167
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,433	\$ 166,626	\$ 85,108	\$ 259,167

Special Revenue Funds

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

	Local Major Streets Streets		Equipment	Total
REVENUE				
Taxes	\$	\$	\$	\$
Intergovernmental Revenue Interest	11,973 231	33,620 3,616	2,105	45,593 5,952
Other			31,635	31,635
TOTAL REVENUE	12,204	37,236	33,740	83,180
EXPENDITURES				
Public Works	26,842	37,319	14,004	78,165
Capital Outlay Debt Service			2,000 5,751	2,000 5,751
TOTAL EXPENDITURES	26,842	37,319	21,755	85,916
EXCESS OF REVENUE OVER				
<under expenditures<="" th="" =""><th>-14,638</th><th>-83</th><th>11,985</th><th>-2,736</th></under>	-14,638	-83	11,985	-2,736
FUND BALANCE - April 1, 2005	22,071	166,709	73,123	261,903
FUND BALANCE - March 31, 2006	\$ 7,433	\$ 166,626	\$ 85,108	\$ 259,167

Local Streets Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REVENUE	Budget	Actual	Variance Favorable < <i>Unfavorable</i> >
State of Michigan	\$ 12,000	\$ 11,973	\$ -27
Interest Miscellaneous	150	231	81
TOTAL REVENUE	12,150	12,204	54
EXPENDITURES			
Street Surfacing Labor	2.750	 1 561	 -1,814
Operating Supplies	2,750 2,500	4,564 16,884	-1,014 -14,384
Equipment Rental	3,500	4,274	-14,364 -774
Tree Maintenance	2,500	1,120	1,380
Audit			,
Other			
TOTAL EXPENDITURES	11,250	26,842	-15,592
EXCESS OF REVENUE OVER < <i>UNDER</i> > EXPENDITURES	900	-14,638	-15,538
FUND BALANCE - April 1, 2005	22,071	22,071	
FUND BALANCE - March 31, 2006	\$ 22,971	\$ 7,433	\$ -15,538

Major Streets Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

	F	Budget	_	Actual	Fa	ariance vorable <i>favorable</i> >
REVENUE		raaget		Totaar	<u> </u>	<u>uvoruoie-</u>
State of Michigan Interest Other	\$	34,000 2,500	\$	33,620 3,616 	\$	-380 1,116
TOTAL REVENUE		36,500		37,236		736
EXPENDITURES						
Labor		5,500		7,426		-1,926
Operating Supplies		13,000		13,625		-625
Equipment Rental Trash Service		7,000		14,456		-7,456
Tree Maintenance		2,000		1,812		188
Surface Maintenance Other						
TOTAL EXPENDITURES		27,500		37,319		-9,819
EXCESS OF REVENUE OVER < <i>UNDER</i> > EXPENDITURES		9,000		-83		-9,083
FUND BALANCE - April 1, 2005		166,709		166,709		
FUND BALANCE - March 31, 2006	\$_	175,709	\$	166,626	\$	-9,083

Equipment Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REVENUE	Budget	Actual	Variance Favorable < <i>Unfavorable</i> >
Interest Equipment Rentals Miscellaneous	\$ 500 32,500	\$ 2,105 31,485 150	\$ 1,605 -1,015 150
TOTAL REVENUE	33,000	33,740	740
EXPENDITURES			
Gas and Oil Repairs and Maintenance Other Labor Capital Outlay	4,000 4,000 40 4,000 11,000	3,173 8,596 34 2,201 2,000	827 -4,596 6 1,799 9,000
Debt Service	5,752	5,751	1
TOTAL EXPENDITURES	28,792	21,755	7,037
EXCESS OF REVENUE OVER EXPENDITURES	4,208	11,985	7,777
FUND BALANCE - April 1, 2005	73,123	73,123	
FUND BALANCE - March 31, 2006	\$ 77,331	\$ 85,108	\$ 7,777

PROPRIETARY FUNDS

Proprietary Funds

COMBINING BALANCE SHEET

MARCH 31, 2006

ASSETS	Water Fund	Sewer Fund	Total
CURRENT ASSETS			
Cash Accounts Receivable Due From Other Funds	\$ 130,151 	\$ 138,269 	\$ 268,420
TOTAL CURRENT ASSETS	130,151	138,269	268,420
FIXED ASSETS			
Land	2,000	45,000	47,000
Distribution/Collection System	968,742	1,230,651	2,199,393
Less: Accumulated Depreciation	-219,192	-720,688	-939,880
NET FIXED ASSETS	751,550	554,963	1,306,513
TOTAL ASSETS	\$ 881,701	\$ 693,232	\$ 1,574,933
LIABILITIES AND FUND EQUITY LONG TERM LIABILITIES			
Loans Payable	\$	\$	\$
Bonds Payable	706,707	216,125	922,832
TOTAL LIABILITIES	706,707	216,125	922,832
FUND EQUITY			
Retained Earnings	174,994	477,107	652,101
TOTAL LIABILITIES AND FUND EQUITY	\$ 881,701	\$ 693,232	\$ 1,574,933

Proprietary Funds

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN RETAINED EARNINGS

	Water	Sewer	T 4 1
REVENUE	<u>Fund</u>	Fund	Total
Charges for Service Interest Miscellaneous	\$ 91,142 4,033 495	\$ 59,793 3,423 1,890	\$ 150,935 7,456 2,385
TOTAL REVENUE	95,670	65,106	160,776
EXPENDITURES			
Labor	9,314	9,364	18,678
Office Supplies	41	1.40	41
Postage Operating Supplies	185 4,499	148 2,275	333 6,774
Equipment Rentals	4,220	7,023	11,243
Telephone	379		379
Utilities	2,996	1,249	4,245
Repairs and Maintenance	795	1,398	2,193
Other	1,615	353	1,968
Interest	18,543	11,405	29,948
Depreciation	36,970	45,817	82,787
Property Tax	2,350	1,390	3,740
Testing	1,496	560	2,056
TOTAL EXPENDITURES	83,403	80,982	164,385
EXCESS OF REVENUE OVER < UNDER > EXPENDITURES	12,267	-15,876	-3,609
RETAINED EARNINGS - April 1, 2005	162,727	492,983	655,710
RETAINED EARNINGS - March 31, 2006	\$ 174,994	\$ 477,107	\$ 652,101

Proprietary Funds

COMBINING STATEMENT OF CASH FLOW

CASH FLOW FROM OPERATIONS	Water Fund	Sewer Fund	Total
Net Income <i><loss></loss></i> Adjustments to Reconcile Net Income to Net Cash Provided	\$ 12,267	\$ -15,876	\$ -3,609
Depreciation Decrease in Accounts Receivable	36,970	45,817	82,787
Increase in Due from Other Funds			
NET CASH PROVIDED BY OPERATIONS	49,237	29,941	79,178
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed Asset Purchases			
CASH FLOW FROM FINANCING ACTIVITIES			
New Bond Issue			
Payment on Loans	25.000	16 635	 51 (25
Payment on Bonds	-35,000	-16,625	-51,625
NET CASH PROVIDED < <i>USED</i> > BY FINANCING ACTIVITIES	-35,000	-16,625	-51,625
NET INCREASE IN CASH	14,237	13,316	27,553
CASH - Beginning of Year	115,914	124,953	240,867
CASH - End of Year	\$ 130,151	\$ 138,269	\$ 268,420

Water Fund

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

	Budget	Actual	Variance Favorable <i><unfavorable></unfavorable></i>
REVENUE	-		•
Charges for Service Interest Miscellaneous	\$ 80,000 2,000	\$ 91,142 4,033 495	\$ 11,142 2,033 495
TOTAL REVENUE	82,000	95,670	13,670
EXPENDITURES			
Labor	8,350	9,314	-964
Office Supplies	100	41	59
Postage	200	185	15
Operating Supplies	4,200	4,499	-299
Telephone		379	-379
Utilities	3,500	2,996	504
Equipment Rentals	5,000	4,220	780
Repairs and Maintenance	1,500	795	705
Property Taxes	3,000	2,350	650
Other	500	1,615	-1,115
Interest	53,542	18,543	34,999
Testing	1,400	1,496	-96
Depreciation		36,970	-36,970
TOTAL EXPENDITURES	81,292	83,403	-2,111
EXCESS OF REVENUE OVER EXPENDITURES	708	12,267	11,559
RETAINED EARNINGS - April 1, 2005	162,727	162,727	
RETAINED EARNINGS - March 31, 2006	\$ 163,435	\$ 174,994	\$ 11,559

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

	Budget	Actual	Variance Favorable < <i>Unfavorable</i> >
REVENUE			•
Charges for Service Interest Land Rental	\$ 52,000 2,000 3,780	\$ 59,793 3,423 1,890	\$ 7,793 1,423 -1,890
TOTAL REVENUE	57,780	65,106	7,326
EXPENDITURES			
Labor	14,500	9,364	5,136
Office Supplies	200		200
Postage	150	148	2
Operating Supplies	3,000	2,275	725
Sewer Testing	2,000	560	1,440
Utilities	2,000	1,249	751
Equipment Rental	10,000	7,023	2,977
Repairs and Maintenance	3,000	1,398	1,602
Other	20.100	353	-353
Interest	28,100	11,405	16,695
Depreciation		45,817	-45,817
Property Tax	1,500	1,390	110
TOTAL EXPENDITURES	64,450	80,982	-16,532
EXCESS OF REVENUE OVER < UNDER > EXPENDITURES	-6,670	-15,876	-9,206
RETAINED EARNINGS - April 1, 2005	492,983	492,983	
RETAINED EARNINGS - March 31, 2006	\$ 486,313	\$ 477,107	\$ -9,206

Karl L. Drake, P.C. Certified Public Accountant

3775 Kimmel Road Horton, Michigan 49246 (517) 937-9333 Phone / 563-2552 Fax Email: kldrake@voyager.net

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council Village of Sunfield

We have audited the general-purpose financial statements of the Village of Sunfield as of and for the year ended March 31, 2006, and have issued our report thereon dated April 18, 2006. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Sunfield's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Sunfield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal

control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Sunfield in a separate letter dated April 18, 2006.

This report is intended for the information of Village Council, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.

Karl L. Drake, P.C.

Certified Public Accountant

Karl Z Denle

April 18, 2006

Karl L. Drake, P.C.

Certified Public Accountant

3775 Kimmel Road Horton, Michigan 49246 (517) 937-9333 Phone / 563-2552 Fax Email: kldrake@yoyager.net

April 18, 2006

To the Village Council Village of Sunfield Eaton County, Michigan

I have recently completed the audit of your books and records for the year ended March 31, 2006, and would like to take this opportunity to make the following comments and recommendations.

Financial Overview

All of your funds continue to be in very good financial condition. The fund balances at the end of this fiscal year were as follows:

General Fund	\$ 129,330
Major Streets Fund	166,626
Local Streets Fund	7,433
Equipment Fund	85,108
Water Fund	174,994
Sewer Fund	497,107

Fund balance increases or *<decreases*> were as follows for the fiscal year:

General Fund	\$ 6,288
Major Streets Fund	-83
Local Streets Fund	-14,638
Equipment Fund	11,985
Water Fund	12,267
Sewer Fund	-15,876

The Village has enjoyed consistent fund balances in all funds for several years. Continued cuts by the State of Michigan in state revenue sharing will continue to make it important to budget conservatively in the general fund.

Budget

During this past year, several accounts had expenditures in excess of amounts budgeted. The budget should be amended during the year to reflect changing circumstances. If expenditures are higher than expected, the budget must be amended to make the expenditures legal transactions.

GASB 34

This is the first report using the "GASB 34" format of reporting. Several new reports and formats are included, and depreciation, fixed asset capitalization, and long-term debt are included for both governmental funds and proprietary funds. These reports also show the Village in solid financial position.

Thank you for the opportunity to work with you.

Sincerely,

Karl L. Drake, CPA

Karl Z Denle